

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

March 20, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Henry County, Iowa.

The County had local tax revenue of \$26,125,836 for the year ended June 30, 2014, which included \$1,280,653 in tax credits from the state. The County forwarded \$18,710,562 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,415,274 of the local tax revenue to finance County operations, a 3.3% decrease from the prior year. Other revenues included charges for service of \$963,201, operating grants, contributions and restricted interest of \$3,582,524, capital grants, contributions and restricted interest of \$1,644,958, local option sales tax of \$864,028, unrestricted investment earnings of \$22,437, gain on disposition of capital assets of \$83,632 and other general revenues of \$164,249.

Expenses for County operations for the year ended June 30, 2014 totaled \$13,004,056, a 2.3% decrease from the prior year. Expenses included \$5,526,232 for roads and transportation, \$3,116,797 for public safety and legal services and \$1,403,537 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0044-B00F.pdf>.

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HENRY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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Henry County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marc Lindeen	Board of Supervisors	Jan 2015
Greg Moeller	Board of Supervisors	Jan 2017
Gary See	Board of Supervisors	Jan 2017
Shelly Barber	County Auditor	Jan 2017
Ana Lair	County Treasurer	Jan 2015
Shirley Wandling	County Recorder	Jan 2015
Rich McNamee	County Sheriff	Jan 2017
Darin Stater	County Attorney	Jan 2015
Gary Dustman	County Assessor	Jan 2018

Henry County



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Independent Auditor's Report

To the Officials of Henry County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Henry County as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 14 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2015 on our consideration of Henry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Henry County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 17, 2015

Henry County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Henry County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 19.8%, or approximately \$2,437,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$173,000, operating grants, contributions and restricted interest increased approximately \$583,000 and capital grants, contributions and restricted interest increased approximately \$1,460,000.
- 1 Program expenses of the County's governmental activities were 2.3%, or approximately \$311,000, less in fiscal year 2014 than in fiscal year 2013. Mental health expenses decreased approximately \$15,000. Roads and transportation expenses increased approximately \$382,000.
 - 2 The County's net position increased 5.4%, or approximately \$1,736,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Henry County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Henry County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Henry County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for auto license and use tax, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Henry County's combined net position increased from approximately \$32.3 million to approximately \$34 million. The analysis that follows focuses on the net position of governmental activities.

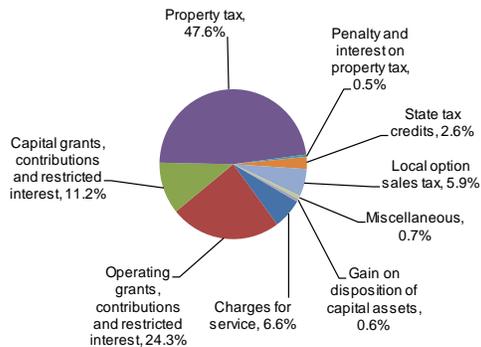
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 17,208	16,409
Capital assets	26,094	25,526
Total assets	43,302	41,935
Long-term liabilities	1,729	1,838
Other liabilities	297	482
Total liabilities	2,026	2,321
Deferred inflows of resources	7,228	7,303
Net position:		
Net investment in capital assets	26,094	25,526
Restricted	6,450	4,793
Unrestricted	1,504	1,993
Total net position	\$ 34,048	32,312

Net position of Henry County's governmental activities increased 5.4% (approximately \$34 million compared to approximately \$32.3 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$1,993,000 at June 30, 2013 to approximately \$1,504,000 at the end of this year, a decrease of 24.5%.

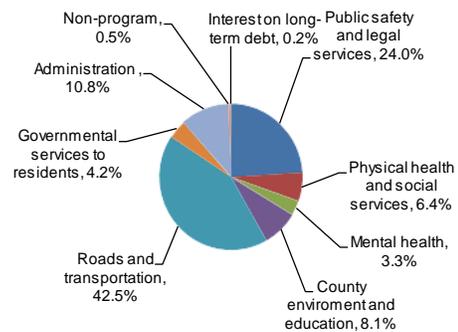
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 963	929
Operating grants, contributions and restricted interest	3,583	3,000
Capital grants, contributions and restricted interest	1,645	185
General revenues:		
Property tax	7,039	6,866
Penalty and interest on property tax	68	73
State tax credits	376	310
Local option sales tax	864	778
Unrestricted investment earnings	22	17
Gain on disposition of capital assets	84	-
Miscellaneous	96	145
Total revenues	14,740	12,303
Program expenses:		
Public safety and legal services	3,117	2,976
Physical health and social services	833	923
Mental health	432	447
County environment and education	1,052	1,033
Roads and transportation	5,526	5,144
Governmental services to residents	552	604
Administration	1,404	1,157
Non-program	60	995
Interest on long-term debt	28	36
Total expenses	13,004	13,315
Change in net position	1,736	(1,012)
Net position beginning of year	32,312	33,324
Net position end of year	\$ 34,048	32,312

Revenues by Source



Expenses by Program



Henry County's net position of governmental activities increased approximately \$1,736,000 during the year. Revenues for governmental activities increased approximately \$2,437,000 from the prior year, with property tax revenue up from the prior year approximately \$173,000, or 2.5%.

The County decreased property tax rates for fiscal year 2014 an average of .5%. This decrease, combined with increases in taxable valuations, increased the County's property tax revenue approximately \$173,000 in fiscal year 2014.

The cost of all governmental activities this year was approximately \$13 million compared to approximately \$13.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$6.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$963,000) or by other governments and organizations which subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2014 from approximately \$4,114,000 to approximately \$6,191,000, principally due to receiving more grant funding during fiscal year 2014.

INDIVIDUAL MAJOR FUND ANALYSIS

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$9.6 million, an increase of more than \$970,000 above last year's total of approximately \$8.6 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$329,000 and expenditures increased approximately \$462,000 when compared to the prior year. The ending fund balance increased approximately \$416,000 from the prior year to approximately \$3,868,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues of the Special Revenue, Mental Health Fund remained consistent when compared to the prior year. Expenditures totaled approximately \$432,000, a decrease of 2% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$563,000 over the prior year.
- There were no significant changes in revenues, expenditures and fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund revenues remained consistent when compared to the prior year while expenditures decreased approximately \$249,000. The ending fund balance increased approximately \$559,000, or 23%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Henry County amended its budget one time. The amendment was made in May 2014 to provide for additional disbursements in certain County departments.

The County's receipts were \$205,106 more than budgeted, a variance of 1.6%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$2,655,738 less than the amended budget. Actual disbursements for the roads and transportation, capital projects and public safety and legal services functions were \$789,703, \$431,367 and \$345,468, respectively, less than budgeted. This was primarily due to decreases in roads and transportation capital project disbursements since there were no new projects started during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Henry County had approximately \$26 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$568,000, or 2.2%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 3,257	3,325
Buildings and improvements	935	903
Equipment and vehicles	1,496	1,355
Infrastructure	20,406	19,943
Total	\$ 26,094	25,526

The County had depreciation expense of \$1,579,792 in fiscal year 2014 and total accumulated depreciation of \$24,422,132 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2014, Henry County had \$1,090,000 of general obligation notes outstanding, compared to approximately \$1,295,000 at June 30, 2014.

The County continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the County's debt. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Henry County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$65.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Henry County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Henry County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Henry County.

Amounts available for appropriation in the operating budget are approximately \$12,153,000, a 3.8% decrease from the final fiscal year 2014 budget. Budgeted disbursements increased approximately \$56,000 from the final fiscal year 2014 budget, with no significant changes anticipated. The County has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,423,000, or 37%, by the close of fiscal year 2015.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Henry County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Henry County Auditor's Office, 101 Main Street, Mt. Pleasant, Iowa 52641.

Basic Financial Statements

Exhibit A

Henry County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 8,473,710
Cash held by health plan trustee	646,322
Receivables:	
Property tax:	
Delinquent	16,382
Succeeding year	7,228,251
Interest and penalty on property tax	23,989
Accounts	99,336
Accrued interest	61
Due from other governments	449,043
Inventories	186,818
Prepaid insurance	84,628
Capital assets, net of accumulated depreciation	26,093,575
Total assets	<u>43,302,115</u>
Liabilities	
Accounts payable	254,733
Due to other governments	42,339
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	210,000
Compensated absences	236,983
Loan guarantee	15,625
Portion due or payable after one year:	
General obligation notes	880,000
Compensated absences	90,818
Loan guarantee	62,500
Landfill closure and postclosure care costs	5,000
Net OPEB liability	227,900
Total liabilities	<u>2,025,898</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>7,228,251</u>
Net Position	
Net investment in capital assets	26,093,575
Restricted for:	
Supplemental levy purposes	738,303
Mental health purposes	1,614,507
Rural services purposes	46,917
Secondary roads purposes	2,784,225
Debt service	32,424
Conservation land acquisition	221,962
Community betterment	818,761
Other purposes	193,712
Unrestricted	1,503,580
Total net position	<u>\$ 34,047,966</u>

See notes to financial statements.

Henry County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,116,797	203,674	54,494	-	(2,858,629)
Physical health and social services	833,179	45,153	308,984	-	(479,042)
Mental health	432,405	-	145,994	-	(286,411)
County environment and education	1,052,167	46,214	110,720	-	(895,233)
Roads and transportation	5,526,232	321,309	2,766,575	1,644,958	(793,390)
Governmental services to residents	552,109	332,400	42	-	(219,667)
Administration	1,403,537	13,329	-	-	(1,390,208)
Non-program	60,005	1,122	195,703	-	136,820
Interest on long-term debt	27,625	-	12	-	(27,613)
Total	\$ 13,004,056	963,201	3,582,524	1,644,958	(6,813,373)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,816,256
Debt service					222,918
Penalty and interest on property tax					67,880
State tax credits					376,100
Local option sales tax					864,028
Unrestricted investment earnings					22,437
Gain on disposition of capital assets					83,632
Miscellaneous					96,369
Total general revenues					8,549,620
Change in net position					1,736,247
Net position beginning of year					32,311,719
Net position end of year					\$ 34,047,966

See notes to financial statements.

Henry County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,452,553	1,633,456	83,874	2,416,951
Cash held by health plan trustee	409,537	21,425	2,888	202,184
Receivables:				
Property tax:				
Delinquent	10,603	1,828	3,449	-
Succeeding year	4,786,472	824,805	1,386,399	-
Interest and penalty on property tax	23,989	-	-	-
Accounts	90,581	-	-	6,679
Accrued interest	44	-	-	-
Due from other governments	94,285	-	-	212,981
Inventories	-	-	-	186,818
Prepaid insurance	84,628	-	-	-
Total assets	\$ 8,952,692	2,481,514	1,476,610	3,025,613
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 156,319	10,634	-	52,271
Loan guarantee payable	15,625	-	-	-
Due to other governments	27,254	15,007	-	78
Total liabilities	199,198	25,641	-	52,349
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,786,472	824,805	1,386,399	-
Other	98,844	1,680	3,102	8,413
	4,885,316	826,485	1,389,501	8,413
Fund balances:				
Nonspendable:				
Inventories	-	-	-	186,818
Prepaid insurance	84,628	-	-	-
Restricted for:				
Supplemental levy purposes	757,125	-	-	-
Mental health purposes	-	1,607,963	-	-
Rural services purposes	-	-	84,221	-
Secondary roads purposes	-	-	-	2,575,849
Conservation land acquisition	221,962	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	42,661	-	-	-
Assigned for:				
Historic preservation	14,355	-	-	-
Conservation purposes	211,946	-	-	-
Economic development	270,174	-	-	-
Health benefits	409,537	21,425	2,888	202,184
Unassigned	1,855,790	-	-	-
Total fund balances	3,868,178	1,629,388	87,109	2,964,851
Total liabilities, deferred inflows of resources and fund balances	\$ 8,952,692	2,481,514	1,476,610	3,025,613

See notes to financial statements.

Nonmajor	Total
886,876	8,473,710
10,288	646,322
502	16,382
230,575	7,228,251
-	23,989
2,076	99,336
17	61
141,777	449,043
-	186,818
-	84,628
<u>1,272,111</u>	<u>17,208,540</u>

35,509	254,733
-	15,625
-	42,339
<u>35,509</u>	<u>312,697</u>

230,575	7,228,251
462	112,501
<u>231,037</u>	<u>7,340,752</u>

-	186,818
-	84,628
-	757,125
-	1,607,963
-	84,221
-	2,575,849
-	221,962
31,962	31,962
2,410	2,410
960,905	1,003,566
-	14,355
-	211,946
-	270,174
10,288	646,322
-	1,855,790
<u>1,005,565</u>	<u>9,555,091</u>
<u>1,272,111</u>	<u>17,208,540</u>

Henry County

Henry County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 19)	\$ 9,555,091
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$50,515,707 and the accumulated depreciation is \$24,422,132.	26,093,575
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	112,501
Long-term liabilities, including notes payable, compensated absences payable, loan guarantee payable, landfill closure and postclosure care costs payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(1,713,201)</u>
Net position of governmental activities (page 16)	<u><u>\$ 34,047,966</u></u>
See notes to financial statements.	

Henry County

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,683,128	805,308	1,330,770	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	70,180	-	-	-
Intergovernmental	715,268	182,808	77,115	2,921,604
Licenses and permits	250	-	-	5,441
Charges for service	481,806	341	-	47,833
Use of money and property	56,695	-	-	-
Miscellaneous	255,765	6,430	-	38,823
Total revenues	<u>6,263,092</u>	<u>994,887</u>	<u>1,407,885</u>	<u>3,013,701</u>
Expenditures:				
Operating:				
Public safety and legal services	2,771,309	-	313,753	-
Physical health and social services	672,227	-	-	-
Mental health	-	431,591	-	-
County environment and education	621,239	-	-	-
Roads and transportation	-	-	-	3,580,348
Governmental services to residents	540,329	-	3,488	-
Administration	1,284,968	-	-	-
Non-program	36,605	-	-	-
Debt service	-	-	-	-
Capital projects	16,841	-	-	81,438
Total expenditures	<u>5,943,518</u>	<u>431,591</u>	<u>317,241</u>	<u>3,661,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,574</u>	<u>563,296</u>	<u>1,090,644</u>	<u>(648,085)</u>
Other financing sources (uses):				
Sale of capital assets	96,451	-	-	49,855
Transfers in	-	-	-	1,157,107
Transfers out	-	-	(1,157,107)	-
Total other financing sources (uses)	<u>96,451</u>	<u>-</u>	<u>(1,157,107)</u>	<u>1,206,962</u>
Change in fund balances	416,025	563,296	(66,463)	558,877
Fund balances beginning of year	<u>3,452,153</u>	<u>1,066,092</u>	<u>153,572</u>	<u>2,405,974</u>
Fund balances end of year	<u>\$ 3,868,178</u>	<u>1,629,388</u>	<u>87,109</u>	<u>2,964,851</u>

See notes to financial statements.

Nonmajor	Total
222,456	7,041,662
864,028	864,028
-	70,180
60,199	3,956,994
45,153	50,844
8,576	538,556
210	56,905
62,170	363,188
<u>1,262,792</u>	<u>12,942,357</u>
6,617	3,091,679
157,669	829,896
-	431,591
452,577	1,073,816
79,333	3,659,681
2,859	546,676
46,572	1,331,540
22,500	59,105
232,625	232,625
759,996	858,275
<u>1,760,748</u>	<u>12,114,884</u>
<u>(497,956)</u>	<u>827,473</u>
-	146,306
6,844	1,163,951
<u>(6,844)</u>	<u>(1,163,951)</u>
-	146,306
<u>(497,956)</u>	<u>973,779</u>
<u>1,503,521</u>	<u>8,581,312</u>
<u>1,005,565</u>	<u>9,555,091</u>

Henry County

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year ended June 30, 2014

Change in fund balances - Total governmental funds (page 23)		\$ 973,779
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	\$ 565,004	
Capital assets contributed by the Iowa Department of Transportation.	1,644,958	
Depreciation expense	<u>(1,579,792)</u>	630,170
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(62,674)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds.		69,356
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		220,625
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	(1,584)	
Loan guarantee	(78,125)	
Other postemployment benefits	<u>(15,300)</u>	<u>(95,009)</u>
Change in net position of governmental activities (page 17)		<u>\$ 1,736,247</u>

See notes to financial statements.

Henry County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,344,682
Other County officials	41,689
Cash held by health plan trustee	37,598
Receivables:	
Property tax:	
Delinquent	38,097
Succeeding year	17,656,958
Accounts	21,185
Accrued interest	31
Due from other governments	38,475
Total assets	19,178,715

Liabilities

Accounts payable	10,924
Due to other governments	19,130,702
Trusts payable	20,631
Compensated absences	16,458
Total liabilities	19,178,715

Net position	\$ -
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See notes to financial statements.

Henry County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Henry County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Henry County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Henry County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – The Friends of Conservation in Henry County, LTD. is legally separate from the County, but it is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the Special Revenue Funds.

The Friends of Conservation in Henry County has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items which are not included in the County's budget. Financial information of the Friends of Conservation in Henry County can be obtained from the Henry County Conservation Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Henry County Assessor’s Conference Board, Henry County Emergency Management Commission and Henry County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Henry County Industrial Development Corporation and the Great River Regional Waste Authority.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position results when constraints placed on net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflow of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 65
Equipment	3 - 20
Vehicles	5 - 15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and the fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,783,070 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,157,107
Capital Projects	Community Betterment	6,844
Total		<u>\$ 1,163,951</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,325,094	-	(68,274)	3,256,820
Construction in progress	-	1,654,798	(1,654,798)	-
Total capital assets not being depreciated	<u>3,325,094</u>	<u>1,654,798</u>	<u>(1,723,072)</u>	<u>3,256,820</u>
Capital assets being depreciated:				
Buildings	1,437,536	68,882	-	1,506,418
Improvements other than buildings	28,300	8,657	-	36,957
Equipment and vehicles	5,950,579	536,225	(526,346)	5,960,458
Infrastructure, road network	38,100,256	1,654,798	-	39,755,054
Total capital assets being depreciated	<u>45,516,671</u>	<u>2,268,562</u>	<u>(526,346)</u>	<u>47,258,887</u>
Less accumulated depreciation:				
Buildings	548,565	45,032	-	593,597
Improvements other than buildings	13,786	691	-	14,477
Equipment and vehicles	4,595,799	342,457	(473,346)	4,464,910
Infrastructure, road network	18,157,536	1,191,612	-	19,349,148
Total accumulated depreciation	<u>23,315,686</u>	<u>1,579,792</u>	<u>(473,346)</u>	<u>24,422,132</u>
Total capital assets being depreciated, net	<u>22,200,985</u>	<u>688,770</u>	<u>(53,000)</u>	<u>22,836,755</u>
Governmental activities capital assets, net	<u>\$ 25,526,079</u>	<u>2,343,568</u>	<u>(1,776,072)</u>	<u>26,093,575</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 90,748
Physical health and social services	3,103
County environment and education	18,299
Roads and transportation	1,414,289
Governmental services to residents	2,951
Administration	50,402
Total depreciation expense - governmental activities	<u>\$ 1,579,792</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 27,254
Special Revenue:		
Mental Health	Services	15,007
Secondary Roads	Services	78
		<u>15,085</u>
Total for governmental funds		<u>\$ 42,339</u>
Agency:		
County Assessor	Collections	\$ 913,077
Schools		11,197,318
Community Colleges		783,136
Corporations		4,352,926
Auto License and Use Tax		385,749
All other		1,498,496
Total for agency funds		<u>\$ 19,130,702</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation		Landfill		Net OPEB Liability	Total
	Capital loan Notes	Compensated Absences	Loan Guarantee	Closure and Postclosure Care Costs		
Balance beginning of year	\$ 1,295,000	326,217	-	5,000	212,600	1,838,817
Increases	-	281,467	93,750	-	24,700	399,917
Decreases	205,000	279,883	15,625	-	9,400	509,908
Balance end of year	<u>\$ 1,090,000</u>	<u>327,801</u>	<u>78,125</u>	<u>5,000</u>	<u>227,900</u>	<u>1,728,826</u>
Due within one year	\$ 210,000	236,983	15,625	-	-	462,608

General Obligation Capital Loan Notes

A summary of the County's June 30, 2014 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Voting System and Capital Improvements, Series 2012A Issued Apr 4, 2012		
		Principal	Interest	Total
2015	2.00%	\$ 210,000	21,800	231,800
2016	2.00	215,000	17,600	232,600
2017	2.00	220,000	13,300	233,300
2018	2.00	220,000	8,900	228,900
2019	2.00	225,000	4,500	229,500
Total		<u>\$ 1,090,000</u>	<u>66,100</u>	<u>1,156,100</u>

During the year ended June 30, 2014, the County retired \$205,000 of notes.

(7) Henry County Industrial Development Corporation Loan Guarantee

In 2003, Henry County guaranteed a 10 year, \$500,000 loan entered into by the Henry County Industrial Development Corporation (HCIDC) with Access Energy to build a 50,000 square foot speculative building. As part of a joint support agreement, Henry County, along with the City of Mt. Pleasant and Northeast Missouri Power, guaranteed the repayment of the \$500,000 loan if the speculative building did not sell within four years of construction. As required by Governmental Accounting Standards Board Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, the County recognized a liability equal to the scheduled payments in years six through ten, a total of \$93,750. If the building sells in years six through ten, each entity will be reimbursed for the funds they have contributed towards the loan payments. If there are additional funds for disbursement once the loan and loan payments have been reimbursed, the remaining funds will be distributed to HCIDC for future economic development projects.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$381,835, \$357,914 and \$387,762, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 85 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the entire premium for the medical/prescription drug benefits, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 27,600
Interest on net OPEB obligation	9,600
Adjustment to annual required contribution	<u>(12,500)</u>
Annual OPEB cost	24,700
Contributions made	<u>(9,400)</u>
Increase in net OPEB obligation	15,300
Net OPEB obligation beginning of year	<u>212,600</u>
Net OPEB obligation end of year	<u>\$ 227,900</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$9,400 to the medical plan. Plan members eligible for benefits contributed \$28,900, or 75.5% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 66,325	2.3%	\$ 194,327
2013	24,431	25.3	212,600
2014	24,700	38.1	227,900

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$225,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$225,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,874,000 and the ratio of the UAAL to covered payroll was 5.8%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan range from \$645 for a single retiree to \$1,350 per month for retirees and their spouse who are less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$150,511.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's' funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The County, in conjunction with the City of Fairfield, Iowa and other organizations entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The counties, cities and other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. Employee Benefit Systems/Cobra Administrator (EBS) provides a service designed to administer compliance requirements. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The cash balance of the Henry County Health Care Plan was \$683,920 at June 30, 2014.

(12) Lessor Operating Leases

The County leases farm ground. As of June 30, 2014, the balance of the lease to be paid in fiscal year 2015 is \$3,542.

(13) Closure and Postclosure Care Cost

The County established a Citizens Convenience Center in March 2013. The closure and postclosure care costs have been estimated at \$5,000. The County has established a Special Revenue, Solid Waste Fund to set aside \$5,000 to cover the estimated cost. A liability for \$5,000 has been reported for these costs in the Statement of Net Position.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Required Supplementary Information

Henry County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,897,884	-	7,897,884
Interest and penalty on property tax	70,124	-	70,124
Intergovernmental	3,855,141	-	3,855,141
Licenses and permits	49,503	-	49,503
Charges for service	539,142	-	539,142
Use of money and property	56,310	-	56,310
Miscellaneous	426,343	46,175	380,168
Total receipts	<u>12,894,447</u>	<u>46,175</u>	<u>12,848,272</u>
Disbursements:			
Public safety and legal services	3,085,636	-	3,085,636
Physical health and social services	819,112	-	819,112
Mental health	440,791	-	440,791
County environment and education	1,066,863	19,970	1,046,893
Roads and transportation	3,724,797	-	3,724,797
Governmental services to residents	546,011	-	546,011
Administration	1,301,132	-	1,301,132
Non-program	59,855	-	59,855
Debt service	232,625	-	232,625
Capital projects	855,623	-	855,623
Total disbursements	<u>12,132,445</u>	<u>19,970</u>	<u>12,112,475</u>
Deficiency of receipts under disbursements	762,002	26,205	735,797
Other financing sources, net	96,451	-	96,451
Excess of receipts and other financing sources over disbursements and other financing uses	858,453	26,205	832,248
Balance beginning of year	8,261,579	-	8,261,579
Balance end of year	<u>\$ 9,120,032</u>	<u>26,205</u>	<u>9,093,827</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
7,935,855	7,935,855	(37,971)
53,300	53,300	16,824
3,479,476	3,650,170	204,971
60,200	60,200	(10,697)
562,250	591,492	(52,350)
53,308	56,308	2
60,750	295,841	84,327
<u>12,205,139</u>	<u>12,643,166</u>	<u>205,106</u>
3,388,304	3,431,104	345,468
984,910	1,025,270	206,158
781,160	781,160	340,369
1,023,343	1,185,307	138,414
4,514,500	4,514,500	789,703
638,157	639,257	93,246
1,413,187	1,426,287	125,155
53,500	245,238	185,383
233,100	233,100	475
<u>1,143,990</u>	<u>1,286,990</u>	<u>431,367</u>
<u>14,174,151</u>	<u>14,768,213</u>	<u>2,655,738</u>
(1,969,012)	(2,125,047)	2,860,844
-	280,978	(184,527)
(1,969,012)	(1,844,069)	2,676,317
7,091,235	7,091,235	1,170,344
<u>5,122,223</u>	<u>5,247,166</u>	<u>3,846,661</u>

Henry County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,894,447	47,910	12,942,357
Expenditures	12,132,445	(17,561)	12,114,884
Net	762,002	65,471	827,473
Other financing sources, net	96,451	49,855	146,306
Beginning fund balances	8,261,579	319,733	8,581,312
Ending fund balances	\$ 9,120,032	435,059	9,555,091

See accompanying independent auditor's report.

Henry County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$594,062. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

Henry County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan. 1, 2010	-	\$ 533	533	0.00%	\$ 4,262	12.51%
2011	Jan. 1, 2010	-	533	533	0.00	4,400	12.12
2012	Jan. 1, 2010	-	533	533	0.00	4,273	12.49
2013	Jan. 1, 2013	-	225	225	0.00	3,874	5.80
2014	Jan. 1, 2013	-	225	225	0.00	3,874	5.80

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Henry County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Resource		
	Enhancement and Protection	Community Betterment	Sheriff's Foreiture
Assets			
Cash and pooled investments	\$ 65,600	710,005	9,690
Cash held by health plan trustee	-	10,288	-
Receivables:			
Property tax			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	1,764	-
Accrued interest	14	-	-
Due from other governments	-	141,777	-
Total assets	\$ 65,614	863,834	9,690
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	34,785	-
Deferred inflows of resources:			
Unavailable property tax revenues	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Health benefits	-	10,288	-
Other purposes	65,614	818,761	9,690
Total fund balances	65,614	829,049	9,690
Total liabilities, deferred inflows of resources and fund balances	\$ 65,614	863,834	9,690

See accompanying independent auditor's report.

Special Revenue							
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Capital Projects	Total	
21,158	14,887	5,000	26,205	31,922	2,409	886,876	
-	-	-	-	-	-	10,288	
-	-	-	-	502	-	502	
-	-	-	-	230,575	-	230,575	
312	-	-	-	-	-	2,076	
2	-	-	-	-	1	17	
-	-	-	-	-	-	141,777	
21,472	14,887	5,000	26,205	262,999	2,410	1,272,111	
-	724	-	-	-	-	35,509	
-	-	-	-	230,575	-	230,575	
-	-	-	-	462	-	462	
-	-	-	-	231,037	-	231,037	
-	-	-	-	31,962	-	31,962	
-	-	-	-	-	2,410	2,410	
-	-	-	-	-	-	10,288	
21,472	14,163	5,000	26,205	-	-	960,905	
21,472	14,163	5,000	26,205	31,962	2,410	1,005,565	
21,472	14,887	5,000	26,205	262,999	2,410	1,272,111	

Henry County

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture
Revenues:			
Property tax and other county tax	\$ -	-	-
Local option sales tax	-	864,028	-
Intergovernmental	16,235	32,444	-
Licenses and permits	-	45,153	-
Charges for service	-	5,376	-
Use of money and property	137	-	1
Miscellaneous	-	5,000	1,227
Total revenues	<u>16,372</u>	<u>952,001</u>	<u>1,228</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	4,000
Physical health and social services	-	157,669	-
County environment and education	-	432,607	-
Roads and transportation	-	79,333	-
Governmental services to residents	-	-	-
Administration	-	46,572	-
Non-program	-	22,500	-
Debt service	-	-	-
Capital projects	-	41,375	-
Total expenditures	<u>-</u>	<u>780,056</u>	<u>4,000</u>
Excess (deficiency) of revenues over (under) expenditures	16,372	171,945	(2,772)
Other financing sources (uses):			
Transfer in	-	-	-
Transfer out	-	(6,844)	-
Total other financing sources (uses)	<u>-</u>	<u>(6,844)</u>	<u>-</u>
Changes in fund balances	16,372	165,101	(2,772)
Fund balances beginning of year	49,242	663,948	12,462
Fund balances end of year	<u>\$ 65,614</u>	<u>829,049</u>	<u>9,690</u>

See accompanying independent auditor's report.

Special Revenue							
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Capital Projects	Total	
-	-	-	-	222,456	-	222,456	
-	-	-	-	-	-	864,028	
-	-	-	-	11,520	-	60,199	
-	-	-	-	-	-	45,153	
3,200	-	-	-	-	-	8,576	
22	1	-	-	12	37	210	
-	9,768	-	46,175	-	-	62,170	
3,222	9,769	-	46,175	233,988	37	1,262,792	
-	2,617	-	-	-	-	6,617	
-	-	-	-	-	-	157,669	
-	-	-	19,970	-	-	452,577	
-	-	-	-	-	-	79,333	
2,859	-	-	-	-	-	2,859	
-	-	-	-	-	-	46,572	
-	-	-	-	-	-	22,500	
-	-	-	-	232,625	-	232,625	
-	-	-	-	-	718,621	759,996	
2,859	2,617	-	19,970	232,625	718,621	1,760,748	
363	7,152	-	26,205	1,363	(718,584)	(497,956)	
-	-	-	-	-	6,844	6,844	
-	-	-	-	-	-	(6,844)	
-	-	-	-	-	6,844	-	
363	7,152	-	26,205	1,363	(711,740)	(497,956)	
21,109	7,011	5,000	-	30,599	714,150	1,503,521	
21,472	14,163	5,000	26,205	31,962	2,410	1,005,565	

Henry County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,671	449,273	141,763
Other County officials	41,689	-	-	-
Cash held by health plan trustee	-	-	27,410	-
Receivables:				
Property tax:				
Delinquent	-	485	1,016	24,112
Succeeding year	-	219,000	458,845	11,031,443
Accounts	76	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 41,765	222,156	936,544	11,197,318
Liabilities				
Accounts payable	\$ -	-	7,009	-
Due to other governments	21,134	222,156	913,077	11,197,318
Trusts payable	20,631	-	-	-
Compensated absences	-	-	16,458	-
Total liabilities	\$ 41,765	222,156	936,544	11,197,318

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
9,487	47,437	2,206	2,111	385,749	303,985	1,344,682
-	-	-	-	-	-	41,689
-	-	-	-	-	10,188	37,598
1,685	8,794	463	-	-	1,542	38,097
771,964	4,296,695	137,969	-	-	741,042	17,656,958
-	-	-	-	-	21,109	21,185
-	-	-	-	-	31	31
-	-	-	-	-	38,475	38,475
783,136	4,352,926	140,638	2,111	385,749	1,116,372	19,178,715
-	-	-	-	-	3,915	10,924
783,136	4,352,926	140,638	2,111	385,749	1,112,457	19,130,702
-	-	-	-	-	-	20,631
-	-	-	-	-	-	16,458
783,136	4,352,926	140,638	2,111	385,749	1,116,372	19,178,715

Henry County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 38,947	215,925	1,192,833	11,247,761
Additions:				
Property and other county tax	-	211,221	440,316	10,617,024
E911 surcharge	-	-	-	-
State tax credits	-	10,739	25,393	572,455
Drivers license fees	-	-	-	-
Office fees and collections	403,660	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	448,084	-	-	-
Miscellaneous	-	-	22,817	-
Total additions	851,744	221,960	488,526	11,189,479
Deductions:				
Agency remittances:				
To other funds	245,051	-	-	-
To other governments	185,288	215,729	744,815	11,239,922
Trusts paid out	418,587	-	-	-
Total deductions	848,926	215,729	744,815	11,239,922
Balances end of year	\$ 41,765	222,156	936,544	11,197,318

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
770,401	4,373,136	141,572	433	383,666	1,139,126	19,503,800
744,320	4,883,153	133,151	-	-	776,824	17,806,009
-	-	-	-	-	99,895	99,895
38,197	211,759	8,397	-	-	37,613	904,553
-	-	-	-	134,371	-	134,371
-	-	-	-	-	-	403,660
-	-	-	-	5,188,412	-	5,188,412
-	-	-	8,892	-	-	8,892
-	-	-	-	-	-	448,084
-	-	-	-	-	856,119	878,936
782,517	5,094,912	141,548	8,892	5,322,783	1,770,451	25,872,812
-	-	-	-	206,485	-	451,536
769,782	5,115,122	142,482	7,214	5,114,215	1,793,205	25,327,774
-	-	-	-	-	-	418,587
769,782	5,115,122	142,482	7,214	5,320,700	1,793,205	26,197,897
783,136	4,352,926	140,638	2,111	385,749	1,116,372	19,178,715

Henry County

Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 7,041,662	\$ 6,865,372	6,589,097	6,387,875
Local option sales tax	864,028	777,807	855,385	786,898
Interest and penalty on property tax	70,180	70,778	63,445	64,650
Intergovernmental	3,956,994	3,754,964	4,877,919	4,415,362
Licenses and permits	50,844	45,897	48,269	44,619
Charges for service	538,556	577,826	1,469,369	1,295,656
Use of money and property	56,905	59,925	69,677	79,991
Miscellaneous	363,188	100,310	149,318	326,901
Total	\$ 12,942,357	\$ 12,252,879	14,122,479	13,401,952
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,091,679	\$ 2,913,511	2,874,447	2,950,196
Physical health and social services	829,896	919,124	822,782	821,232
Mental health	431,591	440,919	2,854,242	2,722,452
County environment and education	1,073,816	996,801	951,092	913,793
Roads and transportation	3,659,681	3,789,962	3,227,979	4,105,833
Governmental services to residents	546,676	522,693	539,799	506,262
Administration	1,331,540	1,126,226	1,146,849	1,098,594
Non-program	59,105	53,964	83,149	52,737
Debt service	232,625	230,821	149,927	146,317
Capital projects	858,275	843,576	553,572	758,917
Total	\$ 12,114,884	\$ 11,837,597	13,203,838	14,076,333

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
5,864,095	5,625,596	5,346,817	5,287,941	4,982,817	4,601,265
694,627	802,726	909,448	742,401	761,258	734,914
63,679	54,712	54,613	51,707	63,175	61,687
4,670,875	4,003,348	4,007,676	4,166,574	4,112,669	4,233,685
50,018	37,609	37,977	26,286	21,983	2,455
1,189,127	1,133,216	1,079,923	1,085,987	1,036,887	869,478
104,846	175,992	334,003	376,657	283,310	122,278
122,718	100,872	123,047	90,461	63,533	84,596
12,759,985	11,934,071	11,893,504	11,828,014	11,325,632	10,710,358
2,925,965	2,692,807	2,589,262	2,390,505	2,337,219	2,075,236
952,628	678,995	636,927	575,500	457,298	1,116,744
2,475,959	2,420,009	2,417,058	2,174,543	2,176,930	2,079,953
878,687	992,234	817,454	723,004	812,685	352,567
3,302,125	3,377,196	3,771,448	3,078,274	3,124,499	2,949,915
559,357	506,155	464,697	471,210	899,360	759,414
1,066,405	1,061,437	977,325	958,748	959,002	1,044,354
42,763	37,043	4,677	20,317	22,692	48,558
149,694	151,271	146,672	143,927	-	-
978,207	136,039	567,491	845,593	543,658	329,616
13,331,790	12,053,186	12,393,011	11,381,621	11,333,343	10,756,357

Henry County



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Henry County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henry County's internal control. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Henry County's Responses to the Findings

Henry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Henry County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Henry County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 17, 2015

Henry County
 Schedule of Findings
 Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Sheriff, Recorder and Secondary Roads
(2) Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist. A listing of mail receipts is not prepared.	Treasurer, Sheriff, Secondary Roads, Recorder, Friends of Conservation, Ag Extension and Conservation
The initial receipts listing is compared to cash receipts records by a person who handles accounting records.	Ag Extension
(3) One person is responsible for handling cash, writing checks and recording cash.	Conservation
(4) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Treasurer, Sheriff, Recorder, Friends of Conservation, Conservation
The bank account is reconciled by an individual who handles or records receipts. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Ag Extension
Bank reconciliations were not prepared.	Conservation
(5) The person responsible for the detailed record keeping of investments is also the custodian of the investments. An independent verification of interest earnings is not performed.	Treasurer
(6) Depositing, reconciling and recording of receipts is done by the custodian of the change funds for which no compensating controls exist.	Treasurer

Henry County

Schedule of Findings

Year ended June 30, 2014

- | | | |
|------|---|---------------------------|
| (7) | Cash drawers are shared between employees. | Treasurer |
| (8) | Daily cash reconciliations for motor vehicle are not reviewed and approved by an independent person for propriety. | Treasurer |
| (9) | All individuals in tax, motor vehicle and driver's license have the ability to void receipts in Solutions/Arts (DOT system), including individuals who perform daily balancing. No report is maintained and voided receipts are not reviewed. | Treasurer |
| | Voided receipts are not reviewed. | Ag Extension and Recorder |
| (10) | Individuals who perform daily balancing have the ability to void receipts in the PCS system. Voided receipts are not reviewed. | Sheriff |
| (11) | Receipts were not protected in a secure location. | Sheriff |
| (12) | There is no independent review of journal entries. | Auditor |

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Treasurer – Our best effort will be made to properly segregate all duties. We have plans to add more cash drawers to office, so only a limited number of employees share a drawer. We are working on writing a new policy over voiding receipts.

Sheriff – We will review our procedures to segregate duties and ensure receipts are protected in a secure location. We will review and sign bank reconciliations.

Recorder – There are only three full time individuals working in the Recorder's Office. We will do our best to segregate the deposit preparation and account recording functions. Voided receipts will be reviewed by an independent person.

Secondary Roads – With limited staff, we will continue to segregate duties to the best of our ability.

Henry County

Schedule of Findings

Year ended June 30, 2014

Conservation – We have begun the bank reconciliation process and will do our best to reconcile monthly. Not practical to hire additional employees. We will attempt to create a system that involves an independent reviewer.

Ag Extension – We will try to segregate duties to the best of our ability. We will try to make deposits more timely. We will try to maintain and review a voided receipts report with our monthly reconciliations.

Friends of Conservation – We will try to segregate duties to the best of our ability. We will also have an independent person review bank reconciliations for propriety.

Auditor - We will try to always have another person that works in accounting check the journal entries which are not automatically generated by the system.

Conclusions – Treasurer, Sheriff, Conservation and Friends of Conservation responses accepted. Other responses acknowledged. Each office should utilize current personnel, including elected officials and personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of payables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables are identified and included in the County’s financial statements.

Response – We are going to extend our accrual window through September 30 instead of August 31.

Conclusion – Response accepted.

- (C) Accounting Policies and Procedures Manual – The Sheriff’s Office and the Conservation Department do not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure the charts of accounts are appropriately utilized.

Responses –

Sheriff – We will work on developing policies and procedures.

Conservation – We will begin assembling a procedures manual.

Conclusions – Responses accepted.

Henry County

Schedule of Findings

Year ended June 30, 2014

- (D) County Sheriff's Jail Room and Board – Policies and procedures have not been developed to account for room and board receipts. Reconciliations between the amounts billed and the amounts collected are not performed.

Recommendation – The Sheriff's Office should establish policies and procedures which address room and board duties to ensure all receipts are properly collected, recorded and deposited. Also, an independent person should perform a reconciliation of inmate census data to billings, collections and deposits to ensure all sentenced inmates are properly billed for room and board and fees collected are properly deposited.

Response – We will work to develop policies and procedures.

Conclusion – Response accepted.

- (E) Computer Systems – During our review of internal control, the existing control activities in the County's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The County does not have a written disaster recovery plan and does not require back-up tapes be stored off site daily in a fire proof vault or safe.

Recommendation – The County should develop a written disaster recovery plan and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – We have policies in place but they are not written. We will do our best to have it all in written policy by the next audit.

Conclusion – Response accepted.

- (F) Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available in support of credit card charges.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy at a minimum should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We have a policy, but it is not written. We will do our best to have it in writing by the next audit.

Conclusion – Response accepted.

Henry County

Schedule of Findings

Year ended June 30, 2014

- (G) Payroll – Certain salary payments were made in advance of the wages being earned. In accordance with an Attorney General's opinion dated July 12, 1979, the credit of the state or its political subdivisions cannot be extended except for a public purpose, or to fulfill or liquidate a moral or legal obligation incurred by the state or its political subdivisions.

Recommendation - The County should not allow salary payments in advance of wages earned. The approved salary should be divided by the number of working days in the fiscal year to ensure any employee who leaves employment is not overpaid.

Response – Anyone who is salaried and would possibly receive advanced wage has always had leave time they are owed upon termination and we do calculate per day to be sure they are paid out accurately.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Henry County
Schedule of Findings
Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Garry Allender, husband of Deputy Assessor, owner of Allender’s Lawn Service	Mowing	\$ 5,588
Sonja Barber, mother in-law of County Auditor	Election work	145
Rachelle Fear, niece of Sheriff, Civil Clerk	Matron duty	1,615
Sidney Burden, daughter of dispatcher	Matron duty	261
Ashely Sutton, daughter of Deputy Sheriff	Matron duty	111
Derek Wellington, IT coordinator, owner of Wellington Electric, Inc.	Electrical work	211
Ryan Wellington, brother of IT coordinator	Networking	560

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Garry Allender do not appear to represent a conflict of interest since the transactions were entered into through competitive bidding.

The transactions with Rachelle Fear may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the transactions exceeded \$1,500 during the fiscal year and were not competitively bid.

The remainder of the transactions does not appear to represent a conflict of interest in accordance with Chapter 331.342(2) (j) of the Code of Iowa since the transactions did not exceed \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Henry County
Schedule of Findings
Year ended June 30, 2014

Response – I have discussed this with the Sheriff's department. The matrons have been made employees so this won't happen again.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

Collections were not deposited in a timely manner.

Recommendation – Collections should be deposited in a timely manner.

Response – We will try to make deposits timelier.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

Recommendation – The County Sheriff should obtain and retain an image of the front and back of each cancelled check as required.

Response – Statements as of February 2014 contain fronts and backs of checks.

Conclusion – Response accepted.

Henry County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Jesse J. Harthan, Staff Auditor
Nathaniel Packer, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State